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BEFORE THE ARIZONA CORPORATION COMMISSION
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 CORP COMMISSION

JIM IRVIN
 Commissioner - Chairman
 RENZ D. JENNINGS
 Commissioner
 CARL J. KUNASEK
 Commissioner

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IN THE MATTER OF THE COMPETITION)
 IN THE PROVISION OF ELECTRIC)
 SERVICES THROUGHOUT THE)
 STATE OF ARIZONA)

DOCKET NO. RE-00000C-94-0165
 (formerly U-0000-94-165)

JOINT COMMENTS OF DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.;
 GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.; TRICO ELECTRIC
 COOPERATIVE, INC. AND SULPHUR SPRINGS VALLEY ELECTRIC
 COOPERATIVE, INC. (THE "COOPERATIVES")

In lieu of oral participation in the public comment session, the Cooperatives jointly submit these written comments in relation to the above entitled matter. Each is an Affected Utility and is a nonprofit, distribution member owner of Arizona Electric Power Cooperative, Inc. ("AEPCO") serving rural areas of the state pursuant to Certificates of Convenience and Necessity issued by this Commission. The Cooperatives are customer owned and customer operated. Their Boards are elected by their customer owners and, in turn, the Cooperatives elect representatives which comprise the AEPCO Board. Since they have no shareholders to provide them capital, they must rely upon borrowing for additional capital. To the extent they are financially able to do so, their net margins are returned to their customers. The Cooperatives would like to highlight four points.

First, the Cooperatives support the positions taken by AEPCO in this proceeding and the testimony filed by Messrs. Minson, Hedberg and Edwards.

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2 Second, stranded cost recovery is a vital issue for the
3 Cooperatives and AEPCO as we transition to a competitive market, but
4 at the same time retain our obligation to serve many of the highest
5 cost areas in this state. Disallowed stranded costs take equity
6 from our member customers and weaken the Cooperatives' financial
7 ability to provide service at the lowest, reasonable cost.

8 Third, the Cooperatives are distribution entities. In
9 addition to generation related stranded cost exposure, they also may
10 have stranded costs at the distribution level. Likely examples
11 would be meter costs or idled computer or personnel capacity as a
12 result of distribution services that are subject to competition
13 under the Commission's Rules. However, the nature and extent of
14 these types of stranded costs will not be known until competition is
15 underway. For these reasons, the Cooperatives ask that the
16 Commission reject suggestions of arbitrary cutoff dates or
17 limitations periods for requesting and demonstrating stranded costs
18 and allow a reasonable time to identify and quantify these stranded
19 costs.

20 Finally, some parties to this proceeding have suggested
21 rate caps, price freezes or both. The costs of operating
22 distribution systems continue and are subject to the same
23 inflationary, growth and other financial pressures as they have
24 always been. The Cooperatives seek to serve their customer owners
25 at the lowest, reasonable cost consistent with reliable service.
26 Their customer elected Boards view rate increases as last resorts.
27 Nonetheless, they are sometimes necessary to maintain the financial
28

1 integrity of the Cooperatives. The Commission should reject
2 positions which argue for arbitrary limits on rates. Such arbitrary
3 limits could prohibit the Cooperatives from maintaining financial
4 viability.

5
6 RESPECTFULLY submitted this 6th day of February, 1998.

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